

CHAPTER 1

HRM, Strategy and Corporate Social Responsibility

LEARNING OUTCOMES

By the end of this chapter, readers should understand and be able to explain:

- the competing meanings of HRM and their implications for managing people
- how strategy is conceptualised and its role in shaping patterns of HRM
- the nature and importance of ethics, professionalism and diversity and their contribution to the business and moral case for HRM.

Drawing on this knowledge and insight, readers should be able to:

- advise senior managers about how to recognise and respond to stakeholder influences on business and HR strategies to enhance organisational and individual performance
- advise managers as to how HR strategies can link with broader corporate strategies
- demonstrate an ethical and professional approach to HRM taking into account its multiple meanings.

1.1 INTRODUCTION

HRM became a fashionable term from the mid-1980s in the UK and began to replace other terms such as 'personnel management'. Much of the interest was around the idea of HRM as a new and distinctive approach, attempting to develop and utilise the potential of human resources to the full in pursuit of the organisation's strategic objectives (Cascio and Boudreau 2013; Wilkinson et al 2016), and led to talk of an HRM revolution. But HRM can take many forms in practice and it often varies between organisations and the occupational group that is targeted. HRM cannot be analysed in isolation from the wider strategic objectives of employers and measured against these, specifically the need to satisfy shareholders, or (in the public sector) government and societal demands for efficiency and effectiveness.

However, strategy is also a multidimensional concept and, despite common usage of the term, it is more complex than the simple military analogy implies. Strategies emerge within organisations rather than being set merely by senior managers (generals) and cascaded down the hierarchy by more junior managers to the workers (the troops). Moreover, strategies are also influenced by wider societal objectives, legislative and political frameworks, social and economic institutions, and a range of different stakeholder interests. Strategy is not simply about financial returns to shareholders but also involves a rather wider base of stakeholders that includes customers, local communities, the environment and, of course, workers. HRM differs from other

managerial functions because of its professional and moral base, so trust and integrity are important elements in how HRM is practised at work – hence, the interest in corporate social responsibility and the idea that HRM has to be viewed in relation to organisational strategies and wider institutional forces.

1.2 THE MEANINGS OF HUMAN RESOURCE MANAGEMENT

'People are our most valued asset' has become a very common but rather overused and trite-sounding phrase. Indeed, historically competitive strategies have not been based on the capabilities of employees but rather labour has been seen as a cost to be minimised, particularly in hard times when downsizing and retrenchment predominates (Cascio 2015; Mellahi and Wilkinson 2010a). But more recently it has been noted that traditional sources of advantage, such as access to capital, protected markets or proprietary technologies, are declining and organisations need to have the ability to innovate and learn, which puts greater emphasis on human resources (Wilkinson et al 2009b). HRM is now often seen as the major factor differentiating between successful and unsuccessful organisations, and is considered more important than technology or finance in achieving competitive advantage. This is particularly pertinent in the service sector, where workers are the primary source of contact with customers, either face-to-face in a service encounter or over the telephone or the Internet. Even in manufacturing firms, the way in which human resources are managed is seen as an increasingly critical component in the production process, primarily in terms of quality and reliability. Much of this revolves around the extent to which workers are prepared to use their discretion to improve products and services. In this argument, a particular style of HRM is envisaged, one that can be broadly termed the 'high commitment' model (see Chapter 3).

Wilkinson et al (2009a, pp4–6) argue that HRM can be seen as having:

- 1 *A human focus.* The focus on employee rights and well-being is evident in the history of HRM. That focus can be seen in the current emphasis on work design, work-life balance and equality and diversity, all of which are covered. At its core, HRM focuses on managing the employment relationship and agreements (implicit and explicit) between individuals and organisations. In some cases – as we see in Chapter 6 – HR plays the role of employee advocate in ensuring the equitable treatment of employees in order to ensure that the interests of employees as well as the organisation are protected.
- 2 *A resource focus.* HRM focuses on employees as a resource in enhancing the performance of the organisation. We examine HR practices that are linked to productivity and enhancing the competitiveness of the firm by ensuring the organisation acquires employees with the ability and motivation to perform via recruitment and selection approaches, and builds capabilities by training and development and performance management. From a more macro perspective, a resource focus of HRM addresses the set of practices for managing the aggregate of human capital in organisations. Much of this literature is informed by the resource-based view of organisations (see Chapter 4, and Boselie and Paauwe 2009).
- 3 *A management focus.* In recent years there has been much focus on how the HR function has evolved. While the earliest roles of HR managers emerged from the administrative and transactional requirements of employment issues, the contemporary setting requires HR managers to adopt a more strategic approach that focuses on managing change, building organisational culture and becoming a partner in the business. This requires a different set of skills, knowledge and behaviours of HR managers.

As Morris and Snell note (2009, p85), it is not just HR scholars that are calling for a stronger focus on the human resources inside the firm and how they are managed, but mainstream strategy scholars are also beginning to acknowledge that they need to focus on 'micro-level' factors; the value proposition of a firm is seen as relying more on knowledge and service activities, and so strategic management depends very much on what people know and how they behave. As Morris and Snell note, because no other resource possessed by a firm has free will or heterogeneity of ideas, products and services often originate in individuals, making human resources – and how they are managed – a potentially unique source of strategic leverage. The increase in differentiated workforces poses added cultural, geographical and competency gaps (Becker and Huselid 2009).

HRM is still a relatively new area of study that is seeking to gain credibility in comparison with more established academic disciplines – such as economics, psychology, sociology and law – which have a much longer history. HRM is often contrasted with industrial relations and personnel management, with the former laying claim to represent the theoretical basis of the subject while the latter is viewed as the practical and prescriptive homeland for issues concerning the management of people. In addition, there are so many variants of HRM it is easy to find slippage in its use, especially when critics are comparing the apparent *rhetoric* of 'high commitment' HRM with the so-called *reality* of life in organisations that manage by fear and cost-cutting. Similarly, HRM often attracts criticism because it can never fully satisfy business imperatives nor the drive for employee well-being. As the remainder of the book explores issues such as these in depth, we focus here on a brief résumé of the main strands of the subject. In the concluding section of the chapter we outline what we see as the main components of HRM.

1.2.1 THE ORIGINS OF HRM IN THE USA

The terminology of HRM originated in the USA subsequent to the human relations movement (Kaufman 2014). The term first appeared in the textbook literature from the mid-1960s, specifically in relation to the specialist function which was interchangeably termed 'personnel' or 'human resources'. What really helped HRM to take root a couple of decades later, however, was the Harvard framework developed by Beer et al (1985). Here, HRM was contrasted with 'personnel' and 'industrial relations'; the latter were conceptualised as reactive, piecemeal, part of a command-and-control agenda and short term in nature, while HRM was seen as proactive, integrative, part of an employee commitment perspective and long term in focus. In line with this perspective, human resources were seen as an asset and not a cost. The Harvard framework consists of six basic components. These are:

- 1 *Situational factors*, such as workforce characteristics, management philosophy and labour market conditions, which combine to shape the environment within which organisations operate.
- 2 *Stakeholder interests*, such as the compromises and trade-offs that occur between the owners of the enterprise and its employees and the unions. This makes the Beer et al framework much less unitarist than some of the other models (Bratton and Gold 2007, p23).
- 3 *HRM policy choices*, in the areas of employee influence, HR flow, reward systems and work systems. Employee influence is seen as the most important of these four areas, again making this model somewhat different from some other versions of HRM.
- 4 *HR outcomes*, in terms of what are termed the '4Cs' – commitment, competence, cost-effectiveness and congruence. This incorporates issues connected with trust, motivation and skills, and it is argued that greater employee influence in the affairs of the company is likely to foster greater congruence (Beer et al 1985, p37).

- 5 *Long-term consequences*, such as individual well-being, organisational effectiveness and societal goals. Unlike many other models of HRM, this framework is explicit in recognising the role that employers play in helping to achieve wider societal goals such as employment and growth.
- 6 *A feedback loop*, which is the final component in the framework, demonstrating that it is not conceived as a simple, unilinear set of relationships between the different components.

A key feature of the Harvard approach is that it treats HRM as an entire system, and it is the combination of HR practices that is important. As Allen and Wright (2007, p91) note, 'this led to a focus on how the different HRM sub-functions could be aligned and work together to accomplish the goals of HRM'. This is often referred to as *horizontal alignment* or *integration* (see Chapter 3). While acknowledging the role of government and the community, this framework is essentially positivist because it assumes a dominant direction of influence from broader situational and stakeholder interests through to HR outcomes and long-term consequences. In reality, the relationship is much more complex and fragmented as employers are unable to make policy choices in such a structured way, especially if they operate in networks of firms up and down supply chains or across national boundaries.

The other main school of thought which developed in the USA was the matching model (Fombrun et al 1984). This emphasises the links between organisational strategy and specific HR practices, concentrating on *vertical* rather than horizontal alignment. The HR practices are categorised into selection, development, appraisal and reward. The human resource cycle – as the four components are known – are tied together in terms of how effectively they deliver improved performance. In Devanna et al's (1984, p41) words:

Performance is a function of all the HR components: selecting people who are the best able to perform the jobs defined by the structure; appraising their performance to facilitate the equitable distribution of rewards; motivating employees by linking rewards to high levels of performance; and developing employees to enhance their current performance at work as well as to prepare them to perform in positions they may hold in the future.

The focus is on ensuring that there is a 'match' or 'fit' between overall organisational goals and the way in which its people should be managed. The approach to rewards, for example, is expected to vary dependent on strategy; it is suggested that a single-product firm would deal with this in an unsystematic and paternalistic manner, while a diversified firm would operate through large bonuses based on profitability and subjective assessments about contribution to company performance (Devanna et al 1984). It is essentially a unitarist analysis of HRM whereby the management of people is 'read-off' from broader organisational objectives. No account is taken of the interests of different stakeholders nor is there much room for strategic choice. As Kaufman (2015a) notes, there remain concerns over continuity with HRM today, with the focus on alignment and integration of the HRM system, so its human capital resources are seen to contribute solely to strategic objectives. It should be noted that both these models were derived within the context of developed countries operating within an Anglo-Saxon business environment, thus raising questions about their applicability to very different cultures.

1.2.2 THE EMERGENCE OF HRM IN THE UK

Interest in HRM in the UK – both as an academic subject and a source of interest for practitioners – developed in the late 1980s, and contributions have come from a plurality of disciplinary backgrounds. Drawing on Bach and Edwards (2013) and developing their categorisation, it is possible to identify four different traditions:

- 1 *Prescriptive*: this used to be the dominant approach in the literature, stemming from the domain of personnel management, and it examined and prescribed the 'best' tools and techniques for use by practitioners. It was essentially vocational in character, although the universal prescriptions that were put forward had much greater resonance in large firms with well-staffed personnel functions. The underpinning values were essentially unitarist, assuming that workers and employers could work together, wherever possible, to achieve mutual gains within the framework of traditional hierarchical and capitalist relations. Within the prescriptive tradition, personnel tended to be seen as an intermediary between the harsher extremes of cost-driven business goals and the needs and motivations of workers.
- 2 *Labour process*: this contrasted sharply with the benevolent, yet paternalist, image of the prescriptive tradition, and focused on HRM as an implicit or explicit device to control and subjugate labour. While helping, initially at least, to introduce more critical accounts of HRM, and later providing a more nuanced and more subjective understanding of how organisations work, it tended to critique management for everything it did. In the more extreme cases it assumed that managers' sole objective in life was to control and manipulate workers, rather than meet production or service targets laid down by senior management. While the HR function might appear as a human face, according to critics this made it even more dangerous because workers could be conned into meeting targets that essentially only helped the organisation to meet its goals – and ultimately operated to the detriment of workers' objectives.
- 3 *Industrial relations*: within this tradition, HRM was seen as part of a system of employment regulation. Using both detailed case study and quantitative techniques, often from the Workplace Employee Relations Surveys, students have analysed HRM in practice in order to develop our understanding of the main elements of the employment relationship. While crucially bringing in a pluralist perspective on HRM, this tended to focus on collective aspects of the employment relationship and, in particular, view all forms of employment – including non-union firms – against the template of a unionised environment.
- 4 *Organisational psychology*: while common in the USA, the contribution from this tradition has become more significant in the UK as scholars analyse HR issues connected with selection, appraisal, learning and development, and the psychological contract (Godard 2014). As we see later, this tradition has been at the forefront of studies examining the links between various aspects of HR strategy/practice and employee outcome measures such as commitment and satisfaction. In contradistinction to the industrial relations tradition, this approach tends to downplay notions of conflict and resistance, as well as overlook the realities of HRM at the workplace.



REFLECTIVE ACTIVITY 1.1

What does HRM mean to you? Is it solely the specialist function or is it part of the role of every manager that has responsibility for supervising staff? Is it realistic to conceive of HRM as potentially capable of producing mutual gains or is it merely a device to ensnare workers into accepting management plans just because they are delivered with a human face?

Work in groups to consider these questions and the contrasting traditions which underpin HRM.

The British debate initially focused on the distinction between 'hard' and 'soft' models of HRM (Storey 1989; Legge 1995; Wilkinson et al 2016). The 'hard' model – as with Fombrun et al's (1984) approach – stresses the links between business and HR strategies and the crucial importance of a tight fit between the two. From this perspective, the human resource is seen as similar to all other resources – land and capital, for example – being used as management sees fit. Under this scenario, which stresses the 'resource' aspect of HRM, there is no pretence that labour has anything other than commodity status even though it may be treated well if the conditions are conducive, such as when it is in short supply or it is central to the achievement of organisational objectives. Broadly, however, it would downplay the rules of industrial relations – such as procedures for dealing with redundancy – because they reduce employer flexibility to select on the basis of who they think is most/least valuable to the organisation.

By contrast, the 'soft' model focuses on the management of 'resourceful humans', assuming that employees are valued assets and a source of competitive advantage through their skills and abilities. Within this conception of HRM, there is one best way to manage staff, and this requires managers to engender commitment and loyalty in order to ensure high levels of performance. Storey (2001, p6) defines the soft version in the following way:

HRM is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques.

Whereas the 'hard' model allows for a range of different styles, the 'soft' variant argues that one style is superior to all others in promoting levels of employee motivation, commitment and satisfaction that are necessary for excellent performance. In short, HRM can be viewed as a particular *style* of managing that is capable of being measured and defined, as well as compared against the template of an ideal model.

The soft/high commitment version of HRM has attracted a lot of interest, especially for those seeking links between HRM and performance. Although important at the time, it also stimulated what might now be seen as a series of somewhat sterile debates about whether the management of employment equates more closely with HRM or with industrial relations and personnel management. Storey (1992) compared HRM with personnel management and industrial relations, identifying 27 points of difference between the two in terms of beliefs and assumptions, strategic aspects, line management and key levers. Broadly, HRM – again seen as a distinct style – was regarded as less bureaucratic, more strategic, more integrated with business objectives and substantially devolved to line managers; the key elements of the HRM model are outlined in Case Study 1.1.



CASE STUDY 1.1

JOHN STOREY'S MODEL OF HRM

Beliefs and assumptions

- The human resource gives organisations a competitive edge.
- Employee commitment is more important than mere compliance.
- Careful selection and development are central to HRM.

Strategic qualities

- HR decisions are of strategic importance.

- Senior managers must be involved in HRM.
- HR policies need to be integrated into business strategy.

Critical role for line managers

- HR is too important to be left to personnel specialists alone.
- Line managers need to be closely involved as deliverers and drivers of HR.

- The management of managers is critically important.

Key levers

- Managing culture is more important than procedures and systems.

- Horizontal integration between different HR practices is essential.
- Jobs need to be designed to allow devolved responsibility and empowerment.

Source: Adapted from Storey (2007, pg).

A key feature of the Storey model is the role of line managers rather than the HR function, which makes sense given that HRM is essentially embedded at workplace level in interactions between members of staff (individually or collectively) and their supervisors. Storey argues that HRM is fundamentally concerned with the *management* of managers, with their training and development, their selection via use of sophisticated techniques, and with their performance management and career development, as opposed to that of the people who work for them (Storey 2007, p10). Unlike some of the more positive and celebratory accounts of how HRM can make the difference, Storey (2007, p17) accepts that 'HRM is no panacea; no set of employment practices ever will be. But, as a persuasive account of the logic underpinning choice in certain organisations and as an aspirational pathway for others, it is an idea worthy of examination.' More recent work suggests the search for HRM remains. Guest (2011) concludes that after two decades of extensive research, we are still unable to answer core questions about the relationship between HRM and performance, largely because there has been limited longitudinal research to address these linkages (Paauwe et al 2013). As Guest (2011, p11) observes, 'after hundreds of research studies we are still in no position to assert with any confidence that good HRM has an impact on organisation performance'. For Thompson (2011), mainstream HRM typically pursues a myopic range of issues with little consideration of wider forces, but equally he criticises the agenda of 'critical HRM' for its distorted emphasis on identity and culture.



CASE STUDY 1.2

WHO NEEDS WORKERS AND HRM?

The problem with employees is everything. You have to pay to hire them and you have to pay to fire them, and in between you have to pay them. They arrive with no useful skills, and once you've trained them, they leave. And don't expect gratitude! If they are not taking sick leave, they're requesting compassionate leave. They talk about unions. They want raises. They want management to notice when they do a good job. They want to know what's going to happen in the next corporate reorganisation. The truly flexible company does not employ people at all. This is the

siren song of outsourcing, the seductiveness of the sub-contract. Just try out the words – *no employees*. A company without employees would be a wondrous thing.

The above is adapted from *Company*, by Max Barry (2006), a novel about a hypothetical organisation which does things in different ways, published by Vintage Books, New York. It is a really good book to read to get an alternative view of the HR function and how organisations might operate under a different set of rules.

1.2.3 THE CONTESTED NATURE OF WORK

Most writers on industrial relations and organisational behaviour see the employment relationship as comprising a mix of conflict and co-operation (see, for example, Dundon and Rollinson 2011). Both of these are present to differing degrees in different workplaces at any one time, and the balance between them varies over time and between countries. By contrast, it is rare for texts on other aspects of HRM (for example recruitment and selection, learning and development, reward management) to conceive explicitly of the employment relationship in such terms. Instead, discussion of motivation or commitment tends to consider conflict only in terms of management's failure to engender employee attachment to, and engagement with, the organisation. In short, conflict between buyers and sellers of labour is typically compartmentalised as an employee relations issue. Issues of conflict and co-operation come to a head during industrial action or in collective bargaining between employers and trade unions. But these issues also pervade other aspects of HRM as well. For example, at the recruitment stage, employers increasingly want loyalty and commitment, as well as hard and skilful work, and implicitly assume workers are willing to co-operate with employers – something that is far from guaranteed. It is important to recognise that all aspects of HRM deal with how the employment relationship is negotiated, so discussions of conflict cannot be shunted off into an employee relations branch line.

Given the incompleteness of the employment contract (Cooke et al 2004), it is clear that all workers possess some 'tacit skills'; this is knowledge and understanding workers accumulate throughout their lives, which is typically extremely difficult to write down. Tacit skills can be seen in many areas of employment, such as in the ability to hear from the sound of a machine or a car engine that a problem is lurking. Some skills can be copied by watching other people or reading manuals, but others have to be 'learned' through practice or by doing similar jobs, sometimes outside of work. The key thing, however, is that these skills and attributes are actually much more than 'simple common sense'. Tacit skills can be used in a variety of ways. First, they can be employed as a potential weapon against employers, either as part of a collective dispute or as an individual overt or covert response to management action. In these cases workers are using tacit skills and creative energies in order to 'get back' at management (McCabe 2014). Second, tacit skills can be used to make time at work more tolerable, but with no intention of offering employers any more than the basic minimum required to 'get by' at work; this can be seen when workers devise games to keep their minds occupied while at work (Burawoy 1979, pp81–2). Finally, workers may use tacit skills to contribute actively to the achievement of employer goals by 'getting on' at work. This can take several forms, such as working hard to gain promotion, taking on extra responsibilities because of staff shortfalls, or in working hard because this is seen as the 'right' thing to do. The idea of doing a 'good job' – for example, turning out high-quality work or resolving difficult problems – is central to our socialisation and in activities undertaken beyond the workplace (Ackers and Preston 1997).



REFLECTIVE ACTIVITY 1.2

Think about three different types of job that you have either done or about which you have some knowledge. What was the mix of 'getting back', 'getting by' and 'getting on' in these jobs, and what might have been done to increase the likelihood of workers wanting to 'get on'?

1.3 BUSINESS AND CORPORATE STRATEGIES

1.3.1 THE CLASSICAL PERSPECTIVE

Most definitions of strategy in the business and management field stem initially from the work of Chandler (1962), who argued that the structure of an organisation flowed from its growth strategy. Since then there have been major differences of opinion about the extent to which a strategy is deliberate or emergent, and about the extent to which organisations are able to determine strategies without taking into account wider societal trends and forces, and in particular the economic, legal and political frameworks within the countries in which they are located. Of course, some large multinational companies are able to exercise influence beyond national boundaries, and actually affect the development of policy within countries, but this amount of power is usually reserved for a small number of global players. The reality for most organisations is that strategic choices are shaped by forces beyond their immediate control, even if they have room for manoeuvre. Rumelt (2011, p2) notes that 'despite the roar of voices wanting to equate strategy with ambition, leadership, "vision", planning or the economic logic of competition, strategy is none of these. The core of strategy is always the same: discovering the critical factors in a situation and designing a way of coordinating and focusing actions to deal with those factors.'

Grant (2013, p4), in a US text, makes it clear that 'strategy is about achieving success ... [It] is not a detailed plan or programme of instructions; it is a unifying theme that gives coherence and direction to the actions and decisions of an individual or an organization.' The best-known British text on the subject (Johnson, Whittington et al 2014) defines strategy as the long-term direction of an organisation. Drawing on these two definitions (Grant 2013, pp3–30; Johnson, Whittington et al 2014, pp1–18), the principal elements of 'strategy', in the classical sense of the word, are:

- 1 Establishing the *long-term* direction of the organisation, looking a number of years ahead and attempting to identify the product markets and geographical locations in which the business is most likely to survive and prosper. Goals need to be simple, consistent and long term, and they need to be pursued with a single-minded commitment. The chosen strategy has clear implications for HR policy and practice, as well as for the types of workers needed in future. Of course, shocks to the system – such as major new inventions, political upheaval or changes in the nature of the working population or demography – may disrupt strategic plans, but without them organisations are likely to be rudderless. Shifts in decisions about the long-term direction of an organisation can impact heavily on HRM. For example, a move to manufacture products in a different country has major implications for future employment. Similarly, an influx of migrant workers might provide new sources of highly qualified and/or cheap labour, which can lead to changes in the organisation's goals.
- 2 Driving the organisation forward to achieve *sustained competitive advantage*. This may emerge through the creation of new products or services or in providing better value in a way that can be sustained, even if competitors also take advantage of similar gains or move in other equally or more profitable directions. In HR terms this may lead to decisions about whether higher levels of performance are more likely from a quality enhancement or innovation route, or one that focuses almost exclusively on cost reduction. This has implications for the type of labour that is required in the organisation, and in situations where there is a shortage of skills it may prevent employers from attaining their overall goals. Moreover, as Boxall and Purcell (2011) note, other organisations do not stand still but also adapt continuously to achieve their own competitive advantage. This means that staying ahead of the game is critical.

- 3 Determining the *scope* of the organisation's activities, in terms of whether it chooses to remain primarily in one sector and line of business or diversify into other areas. This can be done so as to spread risk by creating a balanced portfolio or seeking success from growing markets and higher-profit-margin products. Each of these different strategies has HR implications, for example in terms of the type of staff required or the extent to which services are provided by in-house personnel or subcontracted labour. Decisions concerning scope centre on the boundaries of organisations, and ultimately power differences between organisations up and down the supply chain can have a significant impact both on business decisions and HR practices. This means that decisions about HRM may be beyond the control of an individual employer, either due to pressures from a powerful customer such as a large food retailer or because decisions are taken to set up joint ventures between organisations (Marchington et al 2005).
- 4 *Matching* their internal resources and activities to the environments in which the organisation operates so as to achieve strategic fit. This requires an assessment of internal strengths and weaknesses as well as external opportunities and threats (SWOT) in order to decide how best to design the organisation to meet current and future needs. Grant (2013, pp10–14) argues that the best-equipped strategists have a profound understanding of the competitive environment and are able concurrently to systematically appraise the resources available to them. In HR terms, major problems can occur if enough adequately qualified and trained staff have not been employed to enable the organisation to satisfy customer demand. However, because other organisations are also trying to achieve this match, they may poach the best staff, so compounding the problem.
- 5 Recognising that top-level decisions have major implications for *operational* activities, especially when there is a merger or takeover, a joint venture or public–private partnership, or even a change in the organisation's strategic direction following a review of its activities. Grant (2013) particularly emphasises the need for effective implementation, because if operational activities cannot adapt to new strategic goals, competitive advantage is hardly likely to flow. For example, deciding to grow the business through the creation of an IT-led customer service model will fail if HR issues have not been properly considered and there are not enough staff to receive calls or they are poorly trained. One of the biggest problems in any large organisation, especially one that operates across a number of different product areas, is determining the most appropriate structures and systems to put strategies into effect.
- 6 Appreciating that the *values and expectations* of senior decision-makers play a sizeable part in the development of strategy because it is how they choose to interpret advice about external and internal resources that ultimately shapes strategic decisions. Although many organisations within the same market choose to follow a similar path, some may decide to differentiate themselves from the competition by adopting different strategies. This may or may not appear 'logical' from a rationalist perspective, but entrepreneurs typically mould organisations in their own image. There can be problems here as well, especially when a founder refuses to shift from their preferred position or a family-owned firm decides or is forced to bring in professional managers from outside.

Within this perspective, strategy is seen to operate at three levels. *Corporate* strategy relates to the overall scope of the organisation, its structures and financing, and the distribution of resources between its different constituent parts. *Business or competitive* strategy refers to how the organisation competes in a given market, its approaches to product development and to customers. *Operational* strategies are concerned with how the various sub-units – marketing, finance, manufacturing and so on – contribute to the higher-level strategies. HRM would be seen as an element at this third level, but it is rare

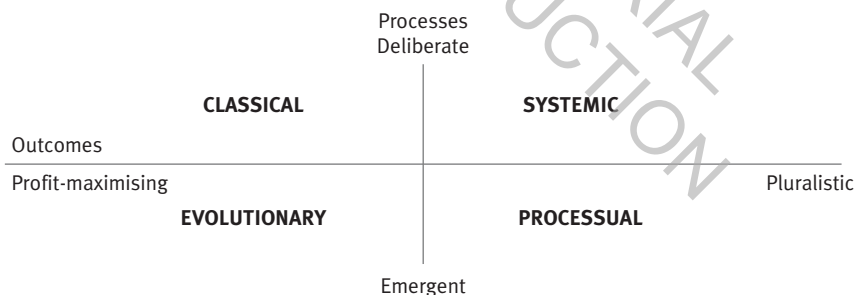
for texts on strategy to pay much attention to HRM issues; for example, neither Johnson, Whittington et al (2014) nor Grant (2013) devotes more than a few pages to HRM.

Overall, the classical version of strategy relies upon an image of detached senior managers who determine the best plans for deploying workers to achieve victory over the competition in chosen market situations.

1.3.2 ALTERNATIVE PERSPECTIVES ON STRATEGY

The 'classical' model is not the only way to analyse strategy, however, and an alternative approach put forward by writers such as Quinn and Mintzberg treats strategy as *emergent* rather than deliberate. Quinn (1980, p58) regards the most effective strategies as those that tend to 'emerge step by step from an iterative process in which the organisation probes the future, experiments, and learns from a series of partial (incremental) commitments rather than through a global formulation of total strategies'. Quite rightly this casts doubt on the perspective that organisations make decisions on the basis of cold, clinical assessments in an 'objective' manner. Decisions are taken by people whose own subjective preferences and judgements clearly influence outcomes. Mistakes are made for a variety of reasons and conditions change, which render decisions that seemed sensible at the time totally inappropriate at a later date. Interpersonal political tensions and battles also play a major part in the outcome of decision-making processes within organisations. Mintzberg's (1987) notion of strategy being 'crafted' evokes ideas of skill and judgement, as well as people working together to make sense of confusing situations before reaching a conclusion that appears to offer a way forward. Of course, neither the classical nor the emergent perspective is correct in its entirety. Mintzberg and his colleagues (1998, p11) have suggested that strategies are neither purely deliberate nor purely emergent as 'one means no learning, the other means no control. All real-world strategies need to mix these in some ways; to exercise some control while fostering learning.' Deliberate and emergent strategies form the poles of a continuum along which actual practice falls (Stiles 2001). Moreover, as we see below, strategy is sometimes used as a device for rationalising and legitimising decisions after they have been made.

Figure 1.1 Whittington's typology of strategy



Source: Adapted from Figure 1.1, Chapter 1, p3, *What Is Strategy and Does It Matter?* Whittington, R., Routledge (1993).

Whittington's (1993) fourfold typology (Figure 1.1) is extremely useful in helping us to understand the complex and multidimensional ways in which strategy might be conceived. It is based upon distinctions between the degree to which outcomes are perceived purely in either profit-maximising or pluralistic terms, and the extent to which strategy formulation is seen as either deliberate or emergent. The four types are:

- *Classical* (profit-maximising, deliberate) – As we have seen, under this conception, strategy is portrayed as a rational process of deliberate calculation and analysis, undertaken by senior managers who survey the external environment searching for ways in which to maximise profits and gain competitive advantage. It is characterised as non-political, the product of honest endeavour by independent professional managers who have nothing but the organisation's interests at heart, and who are able to remain above the day-to-day skirmishes that typify life at lower levels in the hierarchy. Using the military analogy by separating formulation from implementation, Whittington (1993, pp15–17) notes that 'plans are conceived in the general's tent, overlooking the battlefield but sufficiently detached for safety . . . the actual carrying-out of orders is relatively unproblematic, assured by military discipline and obedience'. The classical view of strategy leaves little room for choice when devising HR plans because these are operational matters.
- *Evolutionary* (profit-maximising, emergent) – From this angle, strategy is seen as a product of market forces, in which the most efficient and productive organisations succeed. Drawing on notions of population ecology, 'the most appropriate strategies within a given market emerge as competitive processes allow the relatively better performers to survive while the weaker performers are squeezed out and go to the wall' (Legge 2005, p136). For evolutionists 'strategy can be a dangerous delusion' (Whittington 1993, p20). Taken to its extreme, one could argue there is little point in planning a deliberate strategy since winners and losers will be 'picked' by a process of natural selection that is beyond the influence of senior managers. They might, however, see some advantage in keeping their options open and learning how to adapt to changing customer demands to achieve competitive advantage. Boxall and Purcell (2011) make the very useful differentiation between the problem of viability (remaining in business) and the problem of sustained advantage (playing in the 'higher-level tournament' through superior performance).
- *Processual* (pluralistic, emergent) – This view stems from an assumption that people are 'too limited in their understanding, wandering in their attention, and careless in their actions to unite around and then carry through a perfectly calculated plan' (Whittington 1993, p4). There are at least two essential features to this perspective. First, as Mintzberg (1978) argues, strategies tend to evolve through a process of discussion and disagreement that involves managers at different levels in an organisation, and in some cases it is impossible to specify a precise strategy until after the event. Quinn's (1980) notion of 'logical incrementalism' – the idea that strategy emerges in a fragmented and largely intuitive manner, evolving from a combination of internal decisions and external events – fits well with this perspective. Second, the processual view acknowledges organisations are beset with tensions and contradictions, with rivalries and conflicting goals, and with behaviours that seek to achieve personal or departmental objectives (Marchington et al 1993; Pettigrew 1973). Strategic plans may be worth little in reality but they help to give some credibility to decisions, as well as offer a security blanket for decision-makers who operate with severely bounded knowledge about future events. From this perspective, strategy can never be perfect.
- *Systemic* (pluralistic, deliberate) – The final perspective follows Granovetter (1985) in suggesting that strategy is shaped by the social system in which it is embedded – factors such as class, gender, legal regulations and educational systems play a major part – often subconsciously – in influencing the way in which employers and workers behave (Rubery and Grimshaw 2003). Additionally, Whittington (1993, p30) argues that the very notion of 'strategy' may be culturally bounded because it arose in the particular conditions of post-war North America. In other countries, the dominant perspective may be that the fate of organisations is pre-ordained and therefore unaffected by

managerial actions, or it could be based upon philosophies that regard the provision of continuing work for families and local communities as much more desirable than short-term gains for shareholders. A further advantage of viewing strategy from this perspective is that it highlights how – under the classical approach – management actions are legitimised by reference to external forces, so cloaking ‘managerial power in the culturally acceptable clothing of science and objectivity’ (ibid, p37). Ultimately, the systemic perspective challenges the universality of any single model of strategy (and HRM for that matter) and demonstrates the importance of seeing organisational goals in the context of the countries and cultures in which they are located.



REFLECTIVE ACTIVITY 1.3

Discuss these competing versions of strategy with colleagues from other organisations, cultures or societies, and then try to take a fresh look at your original views.

It should be apparent that seeing strategy in different ways suggests interesting implications for how we view its links with HRM. Under the *classical* perspective this is unproblematic, merely a matter of making the right decision and then cascading this through the managerial hierarchy to shop-floor or office workers, who then snap into action to meet organisational goals. The *evolutionary* view complicates the situation, in that it puts a primacy upon market forces and the perceived need for organisations (which are seen in unitarist terms) to respond quickly and effectively to customer demands. This introduces notions of power and flexibility into the equation, compared with notions of objectivity that underpin the classical perspective. The two pluralist perspectives take it for granted that organisational life is contested. The *processual* perspective demonstrates the barriers to fully fledged vertical integration in practice, whether this is caused by tensions within management or by challenges which may be mounted by workers. Under this scenario, HRM styles also emerge in a fragmented and uneven manner, influenced by the relative power and influence of the HR function compared with other senior managers. The *systemic* perspective forces us to look beyond the level of the employing organisation and recognise employers are not generally free to determine their own strategies in many situations. Problems are bound to arise if critical social norms or cultural traditions are ignored or it is assumed that HR practices that work in one country can be parachuted automatically into others. Indeed, as Paauwe (2004, pp170–73) shows clearly in his study of a US firm operating in the USA and the Netherlands, planned change was typical in the former, whereas in the Dutch plants ample room was allowed for employee influence and for changes in the content of decisions during the process. Sisson (2010, p244) also emphasises constraints but also argues that business strategy reflects the interplay between the existing structures of finance and corporate governance and the institutions, processes and rules of employment relations, both of which are deeply embedded institutions. Thompson (2016) refers to the concept of disconnected capitalism, which has linked the growth of financialisation – the increased significance of capital markets in driving firm behaviour – in the economy to largely negative outcomes in the employment relationship. By engaging in such behaviour, organisations are forced to adopt short-term measures to meet shareholder targets, thus undermining the conditions necessary for the achievement of long-term employment relationships.

1.4 STAKEHOLDERS, CORPORATE RESPONSIBILITY AND DIVERSITY

1.4.1 THE BALANCED SCORECARD

Strategy is not simply about financial returns to shareholders but also involves a rather wider base of stakeholders that includes customers, local communities, the environment, and of course workers. We concur with Paaue (2004) in stressing that HRM is different from other managerial functions because of its professional and moral base, and – in some countries more than others – its rejection of the simplistic view that people are merely a means to achieve greater corporate profits and shareholder returns. This is not to deny it is important for people to make an effective contribution to organisational goals but that trust and integrity are also critically important elements in how HRM is practised at work.

In a series of publications, Kaplan and Norton (2001, 2007, 2010) argue that traditional approaches to management accounting focus on short-term financial performance and shareholder value alone. Instead, firms need to take into account the longer-term needs and expectations of other stakeholders and the way in which they are linked to organisational goals. They suggest (2007) there should be a balance between four perspectives on business performance:

- 1 how to appear to our shareholders to achieve financial success (*financial*)
- 2 how to satisfy our shareholders and customers through the choice of excellent business processes (*internal business processes*)
- 3 how to appear to our customers to achieve our vision (*customers*)
- 4 how to sustain our ability to change and improve in order to achieve the vision (*learning and growth*).

There is no specific category for employees within the scorecard but they figure principally within the learning and growth perspective – in terms of the strategic skills and knowledge of the workforce to support strategy, and in the cultural shifts required to motivate, empower and align the workforce behind the strategy (Boxall and Purcell 2011). In other words, the balanced scorecard does not specifically suggest that employees are stakeholders in their own right, but only in so far as they can enhance customer satisfaction and financial performance through their ability to support business strategy – not through any moral perspective. Despite this, Kaplan and Norton (2007, pp150–51) feel the scorecard enables ‘companies to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they would need for future growth. The scorecard wasn’t a replacement for financial measures; it was their complement.’

While acknowledging it is helpful to try and integrate key HR performance drivers into the strategic management framework, Boxall and Purcell (2011) are concerned that the balanced scorecard approach does not go far enough in relation to HRM. There are two major concerns: first, HRM is not just about satisfying corporate objectives but also relates to social legitimacy in terms of compliance with labour laws and the provision of policies which build long-run succession and development opportunities for managers and workers. Second, the balanced scorecard tends to assume certain HR practices, in particular incentive pay systems, are universally effective in promoting better performance. By contrast, they argue that the alignment of employer and employee interests depends greatly on the circumstances and the institutional regimes within which organisations operate, and that what might appear highly appropriate in a US context could well prove counterproductive in another. Moreover, it could be argued that the balanced scorecard approach includes additional processes merely in terms of their contribution to improved performance. As such it continues to reflect management and organisational interests primarily rather than those of all stakeholders. For example, instead of arguing for greater employee engagement in organisational decisions, it suggests

that managers just need to communicate with workers more effectively and educate them about the realities of organisational life. Attention is also focused on how employers can ensure employees are aligned with the organisational vision. Similarly, some of the organisations they studied were solely interested in employee morale because of its links with customer satisfaction. Nothing is wrong with these objectives, but they are hardly 'alternative' in the sense of seeking to satisfy needs for equality at work or in addressing issues of corporate responsibility. Maltz et al (2003, p197) have attempted to rectify the lack of focus on the employee strand of the balanced scorecard by including a 'people development' dimension that explicitly recognises the critical role of employees in organisational success.

There have also been some attempts to develop HR scorecards as a means of measuring the return on investment in HR programmes, specifically in terms of the value created by deliverables and the control of costs through more efficient operations (Sparrow et al 2004, p170). These tend to rely on a similar range of metrics to those used in other approaches, basically relying on factors that impact directly on organisational performance – such as labour turnover, absence levels and productivity. An alternative – the *real* balanced HRM scorecard – is proposed by Paauwe (2004). This starts from the stance that HR specialists cannot focus solely on organisational criteria such as efficiency, effectiveness and flexibility, and that – like Legge's deviant innovator, which we discuss in Chapter 6 – they should be prepared to risk unpopularity by questioning the short-term approaches that are so widespread in business. Paauwe argues (p184) that 'other appropriate criteria are those of fairness (in the exchange relationship between the individual and the organisation) and legitimacy (the relation between society and organisation)'. The logic HRM scorecard that Paauwe (pp194–208) develops consists of four components – strategic, professional, societal and delivery. The professional and societal logics comprise factors such as the following:

- providing assurance and trust about financial reporting of organisations' tangible and intangible rewards to employees
- delivering reliable information to works council members
- offering information and individual help to employees
- safeguarding fairness in management–worker relations.

1.4.2 PRIVATE EQUITY FIRMS

While there are examples of organisations keen to be more transparent in reporting what they do, and show evidence that they are taking HRM seriously, there has also been a challenge to greater transparency and the idea of high-commitment HRM by the increased role that private equity firms (PEFs) are playing. This is particularly apparent in liberal market economies (LMEs) such as the UK and USA (Wright et al 2009; Clark 2013) and to some extent in Australia (Westcott 2009) following a failed takeover attempt of Qantas. Activity throughout the rest of Europe has been more limited (Watt 2008). Many of the cases have involved high-profile acquisitions, such as Southern Cross in the UK, which raised major concerns about how care for the elderly would be provided following the sell-off of land and other assets and the withdrawal from this market. However, authors such as Clark (2009) and Wood and Wright (2009) stress the importance of differentiating between the two main types of PEF:

- 1 *Insider-driven*, where existing management – in some cases, jointly with workers – takes over the organisation through a buy-out and all staff tend to be offered an equity stake in the business. In these cases, management and workers often have the longer-term interests of the organisation at heart and, if cuts are required, they tend to be taken jointly only after serious consideration of the alternatives.

- 2 *Outside-driven*, where an established firm is taken over by a new employer through a leveraged buy-out or a management buy-in. The pressure in the latter case is to generate high returns for external investors, which often means selling off assets, reducing staff numbers and achieving efficiency gains at every corner to meet short-term expectations of the market.

Media interest has focused on the latter due to the high returns individuals gain from controlling PEFs and the low level of tax they pay. It was estimated that PEFs control firms employing vast numbers of workers in the UK: Clark (2007) estimated this at 2.8 million, about 20% of private sector employment, while Thornton (2007) thought it was about half this number – either way, a significant number of workers are employed by these types of organisation. Some of the firms which have been owned by PEFs are household names – Alliance Boots, AA, United Biscuits, Bird's Eye, Center Parcs. Given the downturn in economic fortunes following the global financial crisis, PEFs have found it more difficult to raise highly leveraged loans. Unlike public limited companies, PEFs are privately owned and therefore are not required to operate with the same rules of transparency and corporate governance. The business model used requires them to make rapid returns on their investment because such a large amount (typically 70%) is financed by debt rather than equity (Froud and Williams 2007). Given that PEFs operate according to short-term principles, there is bound to be less interest in high-commitment HRM for their staff – especially anything which costs more to service or makes longer-term commitments. Even if they do show an interest, this will tend to be restricted to a small number of key players (Clark 2007). Trade unions have been highly critical of PEFs, arguing that workers are less well off, both financially and in terms of trade union recognition, and have lower levels of employment protection than they do in PLCs (Watt 2008), whereas the industry denies this. Indeed, Clark (2011, p48), who has been highly critical of PEFs, concludes that the AA case was one 'where private equity owners retained union recognition and extracted value from the firm on the basis of a benign, yet superior, business model'. Bacon, Wright, Ball and Meuleman (2013) drawing on evidence from different countries explore the implications of private equity for HRM: Leveraged buy-outs (LBOs) are affected by whether they seek to create value through long- or short-term ownership, and by strategies emphasising increased efficiency or growth. As they observe, most critics concentrate on 'buy it, strip it, flip it' 'locust' buy-outs, involving short-term ownership and a focus on improving efficiencies, but their analysis of the employment, wages, HRM and industrial relations consequences suggests most private equity LBOs are not of this type. They report that long-term employment growth differs little between private equity LBOs and other firms in the private sector; overall, they found no evidence of negative effects on wages after private equity LBOs.



REFLECTIVE ACTIVITY 1.4

Read either the paper by Bacon, Wright, Ball and Meuleman (2013) in *Academy of Management Perspectives* or Clark's (2013) paper in *HRMJ* and draw your own conclusions about the impact that private equity firms have on HRM and employment relations.

1.4.3 CORPORATE RESPONSIBILITY

In this section, we examine corporate responsibility and why it matters to HRM. Corporate social responsibility (CSR) is defined as 'context-specific organisational actions and policies that take into account stakeholders' expectations and the triple bottom line of

economic, social, and environmental performance' (Aguinis 2011, p855). This usually relates to voluntary issues beyond the law and to ethical and moral behaviour, so, fundamentally, it questions who should benefit from business (Brammer 2011). Since its inception, corporate responsibility has had many labels, often used interchangeably, and without accurate definition; throughout we use the phrase corporate responsibility.

Corporate responsibility involves a wide range of activities and stakeholders. Stakeholders are the groups or individuals with whom the organisation interacts, and most have vested interests. Customer issues might include quality, truthful marketing and product provenance; for the community, issues include the environment, responsible/fair trade, ethical investment, donations to charity, secondments to community work, supporting Third World education and health programmes, refusal to operate in certain markets, and avoidance of bribery and corruption. Its relevance to HRM is apparent in areas such as health and safety, working conditions, discrimination and harassment, reward, well-being, employee voice, training and development, child and forced labour, and concern for human rights (Ahlstrand 2010; Brammer 2011). The Fundamental Principles and Rights at Work in the 1998 ILO Declaration, which is still in operation, relate to basic human rights that exist without regard to level of economic development. These are:

- freedom of association
- recognition of the right to collective bargaining
- elimination of forced or compulsory labour
- abolition of child labour
- elimination of discrimination in employment.

Carroll (1991) sees corporate responsibility as a pyramid (similar to Maslow's hierarchy of needs) made up of economic, legal, ethical and philanthropic responsibilities, with economic responsibilities at the base. The *economic* responsibility is to make a profit for shareholders. Some maintain that this is the one and only responsibility of the business community – a view initially voiced by Milton Friedman (1970). This perspective is challenged by the stakeholder model that regards business as being not just about profit but also about the well-being of individuals and society.



REFLECTIVE ACTIVITY 1.5

Bill Ford (executive chairman of Ford) has stated that while 'a good company delivers excellent products and services, a great company delivers excellent products and services and strives to make the world a better place'.

What are your views on this statement?

Legal responsibilities are about obeying the law, while *ethical* responsibility involves ensuring the organisation is fair and just, and avoids harm. Finally, the *philanthropic* organisation would act to improve quality of life. The pyramid implies that the majority of organisations adhere to the Friedman view, and may even ignore legal constraints; a minority will take the ethical stance of ensuring that they do no harm; while a smaller number are philanthropic and ensure that their actions positively impact on the quality of life on the planet. The New Economics Foundation (www.neweconomics.org) in the UK, and the World Business Council for Sustainable Development (Growing Inclusive Markets Programme) both promote ethical business – that is, businesses which are set up to solve world problems while also making profits and offering gainful employment. Kyrio (2015) suggests entrepreneurship offers more than aid or government intervention in terms of sustainable development which goes beyond

fair trade. Many 'ethical pioneers' start out as SMEs and may have different forms of ownership. The field of renewable energy in the UK provides examples of community-owned co-operatives, for example Energy4All and Suma Wholefoods. Others have traditional ownership (for example Triodos Bank, cafedirect) and a number of these have been taken over by multinationals seeking to enhance their credentials (for example Body Shop, Ben and Jerry's, Green and Blacks). Lueneburger and Goleman (2010) suggest that company behaviour confers a licence to operate and right to exist and that companies which do not engage in corporate responsibility will ultimately lose legitimacy and fail. This begs the question whether those at Carroll's base level have a licence to operate. Certainly, there are plenty of companies which have been involved in major scandals that continue (for example Dow Chemicals – Bhopal, Exxon – Exxon Valdez).

We next look at motivations for adopting corporate responsibility; these are the business case, consumer pressure, regulatory and global pressures, and normative values.

The Business Case

For those who believe profit is the only concern of business, increasing profits through engaging in corporate responsibility would be a major incentive. At the simplest level, profits can quickly be enhanced by reducing use of resources (heating, light, water, and so on), or by reusing or selling on waste products. Balanced against this is the fact that corporate responsibility typically involves resources (Shen 2011) but at the same time it contributes to competitive advantage and therefore generates higher profits. This is achieved through avoidance of business risks, scandals and accidents. A good corporate image enhances customer loyalty, general acceptance by governments and local communities, and better chance of attracting, retaining and motivating staff. Furthermore, ethical companies can access ethical capital and may be able to avoid government intervention – something which most organisations dislike. As Warren Buffett said, it takes '20 years to build a reputation and five minutes to ruin it' (*Financial Times* 2011).

Consumer Pressure

The scenario of ethical consumerism in Box 1.1 suggests that corporate responsibility could become essential for all companies operating in a competitive market. However, many consumers only care about price – and this contributes to a race to the bottom in terms of wages and conditions, such as health and safety. Customers who do care need to have sufficient information, making it essential for corporations to ensure that stakeholders – particularly customers – are aware of differentiation (Brammer 2011; Scherer and Palazzo 2010, p22). This involves companies listening actively to key stakeholders such as customers, government and the community (Campbell 2007) and creates a virtuous cycle for companies attuned to stakeholder perspectives. However, it is generally agreed that the relationship between corporate responsibility and company profits is complex (Carroll and Shabana 2010; Crowther 2010).

BOX 1.1: KNOWLEDGEABLE AND EMPOWERED CONSUMERS

Two women (green consumers) are shopping in a mall for sunscreen. They enter the first store and choose a product; on her way to the till one woman swipes the bar code into her iPhone and she receives a message back stating that the sunscreen uses materials that damage coral reefs and the packaging is difficult to recycle. Her phone knows her location and directs her to a nearby store that stocks a greener product. After buying the product, the women let their friends know through social websites what they have done. This is already possible because both GoodGuide.com and Ethical Consumer have iPhone apps that do provide information on the environmental, health and social impact of products.

Do you think that this scenario will lead to more companies adopting corporate responsibility in order to ensure survival in a competitive marketplace?

Source: Adapted from Lueneberger and Goleman (2010, pp49–55).

Regulatory and Global Pressures

One of the main pressures is regulation, although there is ample evidence of large organisations using their power to coerce governments to weaken environmental and safety regulations, impose or raise import surcharges, to put up trade barriers through tariffs, and negotiate tax exemptions. The regulatory controls on MNCs are particularly weak and uneven (Martinez-Lucio and Mackenzie 2011). The 2008 banking crisis was seen to be caused by lax regulatory control and undue influence of city lobbyists (Hutton 2011a, pp180–1). Despite the ability of some to prevent or sidestep regulations, laws and rules significantly influence behaviour. In general, legislative and regulatory pressures are increasing – albeit often in response to major scandals. As well as regulations, there are international agendas to address pressing global issues of global warming, poverty and decreasing biodiversity through persuasion – for example, Davos and Kyoto. The UN Global Compact is one such structure which links almost 6,000 organisations with governments, labour organisations and NGOs and sets out principles around labour relations, human rights, the environment and anti-corruption. Other organisations working towards minimally acceptable international standards include the International Labour Organization (ILO), the Organisation for Economic Co-operation and Development, the World Bank and the World Trade Organization. In Europe there is the Charter of Fundamental Rights and the Sustainability Strategy for Europe.

Normative Values

A driving force within organisations is often the normative values of leadership, whether it is from the CEO, the board and/or senior managers or – in some cases – trade unions (Basu and Palazzo 2008; Shen 2011). Training in top business schools encourages managers to embrace corporate responsibility (Lightfoot 2015), and unions are increasingly linking with networks and NGOs to campaign on issues (Brammer 2011; Cooke 2011, p585; Preuss et al 2009). Larger organisations which operate globally and with formal strategic plans are more likely to embrace corporate responsibility (Galbreath 2010; Scherer and Palazzo 2010). This may be because they have increased access to resources (Shen 2011). To date, there is relatively little research on developing countries, and cultural sensitivity means notions of corporate responsibility differ between MNC home countries and host countries. Where there are weak institutional frameworks, arbitrary law enforcement, corruption, tax evasion, fraud and bribery, corporate responsibility is likely to take a different form as organisations operate in lieu of the state to provide health, education, social security or environmental protection (Scherer and Palazzo 2010).

More organisations are now monitoring activity and reporting on corporate responsibility. Examples include: Social Accountability 8000, the Global Reporting Initiative, Global Compact, the Fair Labour Association workplace code (Rasche 2010), and Business in the Community (UK). Additionally, the EU Accounts Modernisation Directive (2005) requires non-financial reporting (reports on environment, employee, social and community issues) in directors' reports. The best organisations ensure that ethical performance covers a wide range of activities and that corporate responsibility is embedded throughout the organisation. Unfortunately, many report on only a minor part of their operations and promote them widely as a public relations exercise, leading to cynicism, especially where the organisation has reputation dents. Where responsibility for corporate responsibility rests in the public relations department, this speaks volumes.

Many would argue that it fits with HRM's welfare roots and should always be located within HR (Shen 2011). The Rana Plaza disaster (Case Study 1.3) shows clearly the dangers created by lack of regulation and the difficulties in getting international agreement on labour standards.



CASE STUDY 1.3

RANA PLAZA DISASTER – IMPROVING EMPLOYMENT STANDARDS IN GLOBAL SUPPLY CHAINS

Juliane Reinecke and Jimmy Donaghey focus on the improvement of labour standards in the wake of one of the world's worst industrial accidents: the Rana Plaza collapse in Dhaka, Bangladesh in April 2013. The building was originally designed as an office complex with a shopping centre. However, the building had an additional four floors added without planning permission which consisted of factories where over 3,000 mainly female workers and their machines were housed. The disaster killed approximately 400 people and many more were injured (*The Economist* 2013). After the collapse, it became apparent that many well-known MNCs used the factory to fulfil garment orders. While the brands involved had no 'duty of care' to the factory and the workers, pressure grew for them to take responsibility. Within weeks, a large number of leading brands had signed the 'Accord for Fire Building Safety in Bangladesh', an unprecedented and legally binding agreement to improve building safety. This innovative tripartite governance mechanism, chaired by the International Labour Organization (ILO) focused on improving the governance of international supply chains by shifting labour regulations from national to global level. Debates surrounding new forms of private, transnational governance with and without the state have since emerged, focusing on how 'traditional' actors within global labour governance as well as the role of 'new' actors (see Fransen 2011) will assert power upon supply chain participants and how they can meaningfully co-operate to improve employment conditions.

Reinecke and Donaghey explored the coalition between consumption-based actors (such as social movement organisations (SMOs), faith groups, student organisations and human rights activists) and production-based actors (such as trade unions and global union federations (GUFs)) that were instrumental in developing and achieving signatories to the accord. Central to the emergence of the accord was a coalition between these actors – a 'labour caucus' uniting behind their growing frustration of existing labour conditions. This coalition was able to leverage their own relationships to bring together what are described as complementary capacities. The GUFs, with their membership structure and established networks among international institutions, carried significant institutional legitimacy and provided 'insider' access to actors such as companies and intergovernmental institutions. GUFs took on the primary role of negotiating directly with companies to sign the accord, while unions leveraged their institutional 'insider' position and their access to pre-existing relationships with companies. The SMOs brought with them a significant level of expertise and knowledge and the ability to mobilise consumer pressure against brands, which GUFs lacked. Together, the coalition managed to get 180 brands to sign up to the accord. Moreover, their actions highlight the intersection of production and consumption power as a potent mechanism that can strengthen labour rights within global supply chains.

Source: Adapted from Reinecke and Donaghey (2015).

To what extent does setting global

standards offer hope for better employment relations across the supply chains while maintaining quality for customers?

1.4.4 DIVERSITY AT WORK

Discrimination is a moral issue about human rights, but it is also about addressing legal obligations and deriving business benefit (Dickens 2007, p468). Diversity management is important to business because of new labour market demographics, globalisation and competitive pressures. It includes factors such as gender, age, ethnicity, political and religious belief, disability, and sexual orientation and encompasses such issues as family-related leave. The proven business benefits which can accrue to employers that manage workforce diversity effectively include:

- 1 access to a wider pool of potential candidates
- 2 improved customer satisfaction and increased market penetration by employing a diverse workforce whose composition is similar to that of the local population
- 3 increased creativity and problem-solving skills
- 4 improved motivation, recruitment and retention because of the organisation's reputation as a 'good' employer
- 5 avoidance of costly discrimination cases because action has been taken to ensure the use of systematic and professional HR practices (Kirton and Greene 2015).

Despite arguments in favour of employing a more diverse workforce, doubts remain about the likely conversion of these benefits into everyday HR practice; it is difficult to change beliefs that are deep-rooted and implicit. The business case can be fragile because it relies on the specific circumstances of each organisation, as well as changes in the wider legal, political, economic and social context, which may lead employers to downgrade equality arguments if they are not of pressing concern. Employers may have little interest in the long-term case for equality because they can gain substantially (in the short term, at least) from employing low-paid workers. Diversity may be accepted by employers in the case of professionals whose skill is scarce but ignored for casual or unskilled employees. Moreover, despite national or corporate policies supporting diversity, there can be pressure from existing staff that are male, white and able-bodied to protect their interests rather than those of disadvantaged groups. For all these reasons, diversity must be managed effectively if it is not to generate negative outcomes. As Kandola (2009) argues, diversity management needs to be systemic, with a widespread and deep-rooted commitment to maximising the potential of the workforce, regardless of its profile. It is only when 'women's, disabled or black issues' are recast as 'people's issues' that any real moves towards equality can take place.

The move from anti-discrimination law towards equality has been slow, but in the UK it is hoped that the Equality and Human Rights Commission and the Equality Act 2010 will help to promote equality based on attitudes, beliefs and values. The slow rate of progress is apparent when we look at women's equality, which has been enshrined in legislation for 40 years: there remains a continuing gender pay gap of 22% (Evans 2010) and missing women in most walks of life (Pocock 2014). It will remain the case that some organisations engage in diversity management merely in order to comply with the law, others take action because of the economic benefits, while a relatively small number see it as part of their corporate responsibility and a moral imperative.



REFLECTIVE ACTIVITY 1.6

Make out a case for increasing diversity at your workplace or one with which you are familiar. To what extent would you draw upon the business case to convince line managers of the value of equality provisions?

1.5 CONCLUSIONS

In this chapter, we have provided a brief analysis of the links between strategy and HRM, paying particular attention to the main arguments and debates in the subject area. HRM does not operate in a vacuum but within frameworks that tie it to organisational strategy, as well as through influences from the wider institutional framework within which business is located. Morris and Snell (2009) note that the shift HR strategy has recently taken is co-evolving with the strategy literature, and for the first time, there are signs of the field of strategy taking cues from HR research. But they warn that many HR managers are still ill-equipped to deal with issues of knowledge and innovation in relation to globally dispersed and differentiated workforces, observing that much of the HR literature remains based in specific domestic locations and does not look at cross-boundary complexities. Too little is known about how an organisation might manage people who are employed by other firms, and they do not address issues of how firms might manage the increasing heterogeneity found across geographically dispersed workforces within a firm. As they note, addressing this requires more than rote implementation of a specific set of standardised practices (Morris and Snell 2009, p92).

It is worth noting that many of the frameworks and models tend to assume there is a specific model of HRM – the universal, high-commitment, ‘best practice’ model that we explore in Chapter 3. Conversely, if we assume that HRM is a field of study rather than a distinct style, we can then examine how the management of employment varies between organisations and workplaces, as well as over time, because it can be shaped by the range of influences, including factors external to the workplace – such as legislative, political and economic changes – which can impact differentially depending upon management choice, employment relations and worker attitudes and behaviours. Working with this conception of the subject means that HRM can exist just as easily in a small owner-managed sweatshop as it can in a large and sophisticated high-tech organisation.

HRM can therefore be defined as ‘the management of employment’, so incorporating individual and collective relations, the whole range of HR practices and processes, line management activities and those of HR specialists, managerial and non-managerial actors. It is more than just another version of the ‘hard’ model because it assumes management styles depend not only on business goals but also on influences from a range of different stakeholder interests. Accordingly, HRM may include a role for unions, the development of so-called leading-edge HR practices, an evident commitment to employment security and having line managers at the helm of organisational change. Conversely, HRM may be individualised, HR policies can rely on cost reduction and rationalisation, and there may be no provision for an internal HR function. Irrespective of the approach adopted, however, employers should be keen to enhance the contribution of HR practices to performance.

Four key points are central to our understanding of HRM; these continually reappear throughout the remainder of this book:

- 1 The *subject matter* of HRM – we regard HRM as those aspects of people management that need to be understood by all HR specialists and others with a major responsibility for managing people. Using Torrington's (1998) medical analogy, these are the subjects the 'general practitioner' needs to understand, and which remain critical for specialist consultants even though they are not explicitly aware they are being used.
- 2 *Integration* is at the heart of HRM – this takes two forms: vertical integration, increasingly seen in the language of alignment, which refers to the links between HRM and both wider business strategies and the political, economic, social and legal forces that shape (and to some extent are shaped by) organisations; and horizontal integration, which refers to the 'fit' between different HR policies and practices (bundles), and the degree to which they support or contradict one another. We assume that both vertical and horizontal integration probably need to be strengthened in order to maximise the HR contribution, as well as minimise the likelihood of conflicting messages.
- 3 *Line manager involvement* – irrespective of the role played by an internal HR function or by external agencies that provide HR support, line managers are central to the delivery of HRM at the workplace. If HRM policy and practice is to be effective, HR specialists need to gain line management commitment to and buy-in for their proposals and recommendations. It matters little that a course of action impresses other HR specialists if it fails to convince line managers – the people who have to put most policies into effect. This is not to say that HR specialists should become the servants of line managers, merely recommending what line managers want to hear in order to gain 'customer' approval. It does mean, however, that HR specialists have to be acutely aware of their audience, of the purpose of HR policies and their contribution to organisational success (Marchington 2015a).
- 4 *Ambiguity and tension* – although there are increasing pressures to demonstrate added value to organisations, HRM is often in an ambiguous position. The HR function is sometimes criticised for occupying the middle ground between management and workers, because it is dealing with issues for which it is difficult to identify a simple best option. For example, there can be conflicting and often equally strong arguments in favour of the dramatically different approaches an employer can take in relation to trade unions – for example, partnership or arm's-length relations. In HRM, perhaps more than in any other area of management, these choices can have significant implications for the future, and lead an organisation down a path that is difficult to alter. Because the employment relationship is incomplete, ambiguous and contested, this means HRM can never be a simple technical exercise, in which answers are read off according to some scientific formula, and implemented without problem. HR professionals have to become accustomed to the fact – especially as they reach the higher echelons of the occupation – that their work is going to be fraught with tensions and contradictions, and with situations that are characterised by uncertainty, indeterminacy and competing perspectives.



EXPLORE FURTHER

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